INVESTMENT INSURANCE INCOME

For

Business-Minded

Farmers

Federal Crop Insurance Corporation
U.S. Department of Agriculture

Long *before* the first furrow is turned or the first seed dropped, modern electronic computors annually predict the number of acres of cropland which, for all the work and all the dollars, will probably result in crop failure!

But here's at least one question even the brainiest computor cannot answer: *Whose* cropland? Whose work? And whose dollars? . . . YOURS?

The certainty of crop failures and the uncertainty of *whose* crops, in short, are the reasons for Federal All-Risk Crop Insurance.

Join us then in a brief look at how you can and why you should protect the cash investment represented by *your* crops. This little booklet discusses your investment, your insurance and your income.

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BY MEASURE of the dollars you stand to make or lose, farming as a business is riskier than ever. Not only are this year's profits at stake each time you plant a crop but past and future profits as well. These are your savings and borrowed dollars that go to pay for seed, for fertilizer and pesticides, for gas and oil and labor.

Profit Margins Drop

Ten years or so ago, when profit margins in farming were about one-third, the average farmer invested 66¢ to earn (if all went well) a profit of 33¢. Today's profit margins average a thin one-fifth, requiring the risk of 80¢ to earn 20¢.

So—instead of re-investing *two* other years' profits each time you gamble on a crop, present-day farming requires the risk of *four* other years' profits.

Indeed, farming *is* riskier than ever.

More and more, in farming as in every business, it takes money to make money. High-priced farmland, to turn a profit, requires high yields. And high yields don't come cheap.

Whether saved or borrowed, the cash for these heavy expenses is your "working capital." It's the money needed for investment and re-investment, year after year after year.

Why FCIC?

Federal Crop Insurance offers a simple, sound, and economical way to protect this investment. Year after year after year.

Federal Crop Insurance is a way to at least break even, even in the worst of years. It's a way to safeguard savings earmarked for a new kitchen or a combine or a college education. It's a way to guarantee that store or bank credit for this year's expenses won't be years in the repaying.

Most of all, it's protection you can't afford to be without.

How does it work?

What does it protect?

When does it pay?

What does it cost?

These, to be sure, are dollars and cents questions.

How Does It Work?

The basic Federal Crop Insurance policy is the Guaranteed Production Plan. It guarantees—either in crops or the cash equivalent—a specified quantity and quality of production on the acres protected by the policy.

Your local FCIC representative will be glad to describe the specific yield guarantees for your area. They naturally vary from area to area.

Note, in particular, that the Guaranteed Production policy insures against low *quality* as well as low yields. Depending on the extent of quality damage, you may be entitled to an indemnity even though your *yield* is more than the minimum guaranteed.

What Does It Protect?

It protects your approximate investment in production expenses against *all* unavoidable causes of loss.

Most crop losses, of course, result from such commonplace causes as too much or too little moisture, cold weather, insects, diseases, hail, and the like. But indemnities have also been paid for losses due to more than one hundred *other* causes!

In fact, the only cause that doesn't qualify is poor farming.

When Does It Pay?

Anytime the yield of your insurance-protected crops is less than the minimum yield guaranteed.

OR, anytime low *quality* reduces the value of the crop below the amount you would have received at the marketplace for the quantity and quality guaranteed.

The amount of indemnity you are paid following a loss depends, first, on the extent of crop damage and, second, on the amount of insurance coverage you elect to carry (more about this in the next paragraph).

What Does It Cost?

That, in large part, is up to you. Although a basic rate is set for your county and area to reflect local risk experience, the premium *you* pay can be tailored to your budget and your insurance needs.

Policies written under Guaranteed Production Plans offer you a range of choices. That is, *you* select in advance the amount of indemnity you want to be paid in event of crop losses.

For example, if you need to protect, say, three-fourths of the money invested in production expenses, you would select an amount of insurance accordingly.

Further, after 3 years without losses, your premium is adjusted downward. The discount from the basic rate for your area is 5% after 3 years, 10% after 4 years, and so on up to a maximum discount of 25% after 7 years.

Finally, of course, Federal All-Risk Crop Insurance is a tax-deductible business expense.

How much Crop Insurance should *you* have? *That depends on how much of your crop investment you can afford to lose!*

NEXT. The closing pages of this booklet will help to answer additional questions you may have about Federal Crop Insurance protection. Then give your FCIC representative a call. He's trained and anxious to help.

Q *Why is the Federal Government offering Crop Insurance?*

A Because no commercial all-risk insurance is available, Congress authorizes the Department of Agriculture to provide farmers with "at cost" insurance as a way to protect their steadily rising crop investments. Through indemnities to policyholders at times of loss, Federal Crop Insurance also adds to the stability of the entire rural economy.

Q *Who can get Federal Crop Insurance?*

A Anyone with a financial interest in an insurable crop on insurable land and, of course, who follows sound farming practices.

Q *What's meant by an insurable crop? Insurable land?*

A Policies are not yet available for all crops in all counties. Your local agent can tell you which crops you grow are eligible for insurance protection.

Also, in many areas, there is some land which simply is not insurable. As every farmer knows, crops planted on land that's inclined to flood or to blow involve an exceptional risk. Insurance, frankly, would be too expensive.

Q *When is the sign-up deadline for Federal Crop Insurance?*

A Normally, it's shortly ahead of planting. However, sales may be ended earlier if prospective growing conditions are unfavorable or if FCIC's legal ceiling on amount of business is reached. To be sure of obtaining protection, the earlier the policy is applied for the better.

Q *Does the policy protect all of my insurable crops? On rented acres as well as on owned?*

A Yes. Protection extends to your

share of all insurable crops you produce in the county.

Q *Does the premium have to be paid in advance?*

A No. The insurance application includes a note for the amount of the premium. Payment, however, may be delayed until harvesttime, without interest or penalty. This convenience permits you to pay the premium when cash is most readily available—from the proceeds of the crop or, if there is no crop, from the indemnity.

Q *Can the Crop Insurance policy be used to obtain credit?*

A Yes, and many credit agencies when making loans are giving increased recognition to the need for and value of all-risk protection. After all, every lender's security depends on your having money with which to repay. Crop Insurance provides him—and you—with that security.

If desired, your Crop Insurance policy can be pledged as collateral, by means of an assignment.

Q *Does a Federal Crop Insurance policy have to be renewed each year?*

A No. The protection remains in effect so long as you continue to pay the premiums by the deadline set for the crop. The deadline varies by crops.

This feature provides you with the assurance that as a "regular policyholder in good standing" your investment will be protected year after year—even in years when unfavorable conditions may result in sales of insurance being closed to new policyholders.

Q *Can Federal Crop Insurance be canceled?*

A Yes. After the first year, either the policyholder or the Corporation may cancel by giving written notice to the other party by the date specified in the crop endorsement.

As with any insurance worth carrying, Crop Insurance should become a permanent part of your farm financial program, to be continued as long as there remains a large and risky investment to protect. The fallacy of carrying insurance on a "trial" basis is all too obvious.

Q *What if I take out insurance for a crop but then decide not to plant it?*

A With Federal All-Risk Crop Insurance, you do not owe any premium.

Q *Am I able to adjust the coverage and amount of premium each year?*

A Yes, Each year, promptly after planting, you report your acreage and share. This provision of Federal Crop Insurance assures you of paying *only* for the amount of insurance you actually need *that year.*

An FCIC policy also permits you to change (by a certain deadline each year) the dollars and cents rate on which your indemnities will be based.

All this adds up to an annual opportunity to readjust your insurance program to your budget and your needs.

Q *Why do Crop Insurance premium rates vary from area to area?*

A So that the premium *you* pay will be no greater than the risks of crop loss in the *area where you farm.* Even within your own county, you undoubtedly know of some areas which are higher risk than others. The premium rates, based on careful evaluation, reflect these differences.

Q *Where is more information about Federal Crop Insurance available?*

A Your FCIC representative will gladly cooperate in drawing up a per-

sonalized insurance proposal for your consideration with specific information showing how a Federal All-Risk Crop Insurance policy can protect *your* crop investment. No obligation.

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